

GENERATION AND ENERGY IMBALANCE PROPOSAL

RATE DESIGN

Deviation = scheduled power – actual delivery (positive is cost to customer)

Band 1:

Deviations less than 1.5% or 2 MW

Settlement at end of month if deviation balance is not zero

Band 2:

Deviations greater than 1.5% or 2 MW and less than 7.5% or 10 MW

Settlement at energy index plus 10% for positive deviations

Settlement at energy index minus 10% for negative deviations

Wind resources and generators being tested before commercial operation will not be subject to band 3

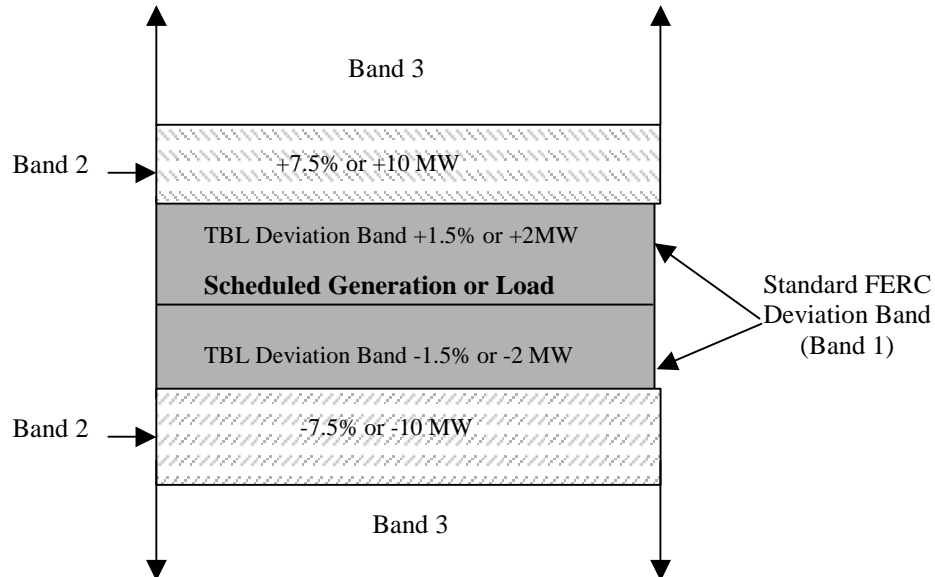
Band 3:

Deviations greater than 7.5% or 10 MW

Settlement at highest energy index for month plus 25% for positive deviations

Settlement at lowest energy index for month minus 25% for negative deviations

Highest or lowest energy index would be determined for HLH or LLH



Intentional Deviation

No credit will be given for negative deviations

The greater of 100 mills/kWh or the band 3 penalty will be charged for positive deviations

QUESTIONS

1. What is the appropriate bandwidth and penalties to insure accurate scheduling?
See rate design. An alternative for negative deviations would be to have a minimum differential between the settlement price and the energy index in bands 2 and 3. The minimum differential would be based on the cost of transmission, ancillary services and losses that the customer would otherwise have to pay if it marketed the energy. This would remove an incentive for the customer to have negative deviations when power prices are low.

2. Should the 100 mill/kwh penalty rate be applied at some level of deviation, as in band 3?
No.

3. How should wind generators fit into an alternative rate design? Should wind be exempt from band 3?
Wind generators should not be subject to band 3.

4. Should other generators, as renewable resources or thermal plant during testing or startup, be exempt from band 3?
Resources undergoing testing before commercial operation should not be subject to band 3.

5. For Spill conditions, should the current determination of when Spill is applied be changed from a monthly determination to a daily determination?
Yes. The change means if Spill occurs for any hour during a day, then Federal System is in a Spill Condition for that day, and no credit will be given for negative energy deviations during that day.

6. Should a change be made to settlement within the band (band 1 in example)?
This band now has HLH and LLH deviation balance accounts and allows the customer to schedule return energy to bring the account balance to zero. If the account balance does not reach zero during the month, settlement is at the last 7 days average energy index price plus 10% for positive deviations and minus 10% for negative deviations. BPAT is proposing to change the business practice to have the settlement at the end of the month if the balance is not zero.

The only change will be to require the balance to be zero at the end of the month to eliminate the carryover. The customer can still schedule return energy to bring the account to zero during the month. If the balance is not zero at the end of the month, the settlement is at the average energy index for the month for HLH and LLH plus 10% for positive deviations and -10% for negative deviations.

7. Should the same rate design apply to Energy Imbalance?
Yes. Energy Imbalance will retain a self-supply band where the customer has qualified for self-supply.